



## KAPITEL IRKUTSK SECRETS OF SUCCESS

Pyotr Kraykovsky, CEO and Chief Process Engineer of Kapitel Irkutsk, talks about how the company became a manufacturer of unique materials.

– **According to figures from Chem-Courier, between 46% and 52% of paints and coatings in Russia are produced by small players, each accounting for less than 1% of the total market. For interior and construction paints, the share of small players is even higher. What is behind this growth of small producers?**

– First of all, we are looking at logistics costs, which are a major contributor to the price structure of interior and construction paints and coatings. The second factor is the low price of starting a business. This has helped foster a healthy, competitive environment in the paint and coatings market. On top of this, small manufacturers are willing to produce small batches of expensive and high-quality tailored products which for one reason or another large manufacturers simply won't bother to take on.



**PYOTR KRAYKOVSKY,**

CEO and Chief Process Engineer of Kapitel Irkutsk

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Today, almost every major city in Russia has its own paint and coatings maker, and in Eastern Siberia, any city of 200,000 people will have its own paint and coatings manufacturer. In this context, it is a buyer's market, since you can always find a manufacturer to suit your budget.

– **Kapitel Irkutsk entered the market in 2006. Which milestones stand out in your mind for the company?**

– Since being founded, Kapitel Irkutsk has been trading a wide range of construction and finishing materials. The first important milestone in the company's journey was in 2014 with the launch of its own dispersions. We have since been producing water-based paints from styrene and butyl acrylate. Our own innovations have helped us to replace not only Russian dispersions, but also to quickly

bridge towards import substitution. Our product assortment currently features over 15 types of latex. Of these, 70% are unique in the Russian market. We run serial production of 12 dispersions with bubbling temperatures between 0 °C and 60 °C, which allows us to manufacture products ranging from a tape adhesive with a high level of tackiness to hard varnishes that are highly resistant to abrasion. In addition to our own dispersion needs, we fully cover the demand for these products from the paint and coatings makers in East Siberia and the Far East.

Another innovation of ours was the development of formulations and technology for synthesising dispersants and multifunctional additives. Our polyacrylic dispersant, on top of its usual applications, provides freeze thaw stability in paints, which is crucial for products sold to customers in Siberia. Multifunctional additives are used to produce paints and coatings, and are needed for wetting agents, certain pigment dispersants, and agents that prevent osmosis.

We currently produce 10,000 tonnes of products across our 80 items each year. In response to the pandemic, our range of antibacterial and antiseptic products expanded.



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**– What prompted you to start producing your own dispersions?**

– We took this decision when we started to need more than 100 tonnes of this component each month for use in our paints and primers. Coupled with the annual increases in freight rates and binder prices, this made specialty chemicals look less attractive. The ideal solution to this problem would have been a Siberian manufacturer of dispersions and specialty additives, but at that time consumption was so low that it would have been unprofitable for pure play dispersion makers to build up capacity in the region. We solved this problem by launching our own production of dispersions and additives for paints and coatings out of our factory. Persistent supply issues were compounded by a lack of freeze-thaw resistant dispersions from the majority of major manufacturers. When developing our own formulations and synthesis technology, we took into account the downsides of mass-produced, one-size-fits-all products. I would also like to mention that we were only able to produce the dispersions most suitable for paints and coatings because SIBUR and Gazprom Neftkhem Salavat (GNS) have been producing domestically the affordable monomers that we needed – styrene, butyl acrylate, 2-ethylhexyl acrylate, and acrylic acid.

**– How did you grow from a local producer to a company with products in demand from other regions of Russia?**

– We have been working closely with partners from many different regions. Their factories produce paints and coatings using our own



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feedstocks, according to our recipes; they benefit from ongoing training, as well as support regarding the production process, trading, marketing, and product promotion information. This setup allows us to manufacture high-quality products at affordable prices for our customers, while our experience in trade and product promotion helps small players to build their niche in the market and grow from a small company to a successful paint and coatings maker.

**– Who are your main competitors?**

– Just like any other “local” paint and coatings maker, our main competitors are major national players. We set ourselves apart by offering a broader product mix, rare and highly-specialised products, nimble responses to emerging market demands, and a tailored approach to our customers. Kapitel Irkutsk holds annual partner meetings, where we share experience, coordinate actions, and analyse any needs and opportunities present in the market.



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**– You have been working with SIBUR for over seven years now. How did this partnership begin, and where is it headed?**

– Thanks to SIBUR and SNKhK (a joint venture between GNS and SIBUR to sell butyl acrylate) , we were able to purchase raw materials right from the launch of production. When we were just finding our feet with dispersions, our volumes were very small. Nonetheless, SIBUR helped us launch our own production. Its flawless logistics system automatically removes the problem of needing to maintain large inventories of virgin raw materials, freeing up frozen capital. Today, SIBUR and SNKhK are not just our main suppliers of monomers, they have become solid senior partners for us and gateways for advanced ideas and technologies that line up with the nationwide push towards import substitution and the development of fine organic synthesis in Russia.

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**– Kapitel Irkutsk recently took part in the Graffiti Kids charity campaign. Tell us more about your company’s social impact. What other projects do you support?**

– Every year we throw our weight behind initiatives run by the municipal authorities, including social projects like Graffiti Kids, and cultural and architectural legacy projects like Fasadnik, which aims to preserve the wooden architecture of Irkutsk. We also continue to support the Atlanty sports school. We also help the TAC Care Foundation, which supports people suffering from cancer, HIV, AIDS, and tuberculosis.

In order to get young people interested in specialising in scientific, technical, and blue-collar work, or in further study of physics and chemistry, we are spearheading a career guidance project for students in grades 9–11. The school students are invited to an event at our Customer Support Centre, where we talk to them about a number of professions and how they fit into our enterprise; we also give a tour of the facility and show them these professions on the shop floor.

**– Mr Kraikovskiy, how are you able to juggle your two responsibilities as CEO and Chief Process Engineer? How do you find the time, and what is your favourite part of each?**

– I have a very friendly and professional team around me. Thanks to them, my load is lighter. You could say that my colleagues are my key source of inspiration; they drive me on in my work. I want to take this opportunity to say a big thank you to them: to all the process engineers, engineers, workers, warehouse staff, cleaners, economists, accountants, supervisors, sales managers, and marketers. And I would like to say a separate thank you to our shareholders for placing their trust in Kapitel Irkutsk.

**– What does 2022 hold for you?**

– New projects! We are hoping for stable prices for our virgin raw materials: styrene and butyl acrylate.